

EXHIBIT 3

Advertising Trends Report: June, 2022**Introduction**

This document provides an update on the advertising industry and some of the key trends and topics that will be discussed at the Cannes Advertising Festival as well as an update on some of News Corp's key initiatives. A secondary debrief document will be prepared after Cannes covering the news on the ground.

Some of the highlights from this document include:

- Ad industry growth has bounced back from the pandemic and has so far shown resilience through recent turmoil including the Ukrainian conflict. GroupM predicts global growth of 8.4% in 2022 with digital (excluding search) expected to grow at 9.3%. Some of this growth is due to inflation; GroupM estimates inflation to run at 6.9% in 2022. Expectations are lower in 2023 given concerns over the economy. Publicis is predicting a dip in global growth to 5.4% before bouncing back to 7.6% in 2024.
- The industry is in a state of flux, fear and/or frustration due to the demise of historical identity models (Apple's new privacy framework and restrictions on identity), the impending elimination of third-party cookies in Google's Chrome browser (62% of mobile and 69% desktop browsers), and a proliferation in local privacy rules and regulations. According to a recent Digiday survey, 71% of agency and marketing executives are worried about the demise of cookies and don't know what's next. For many companies, the demise of third-party cookies will be devastating, while for others, particularly publishers with robust permissioned data, it will bring new opportunities.
- The conflation of digital advertising growth and online shopping has led to Amazon's advertising unit generating \$31.2b in sales in 2021 from an estimated \$19.9b in 2020. Other big retailers such as Wal-Mart, Target and Kroger have also jumped into the "retail media" business to capture some of the estimated \$41.37b in US retail media spend in 2022. Other publishers and platforms are also "shopifying" their user experiences in order to better demonstrate ROI and capture more performance marketing spend.
- Despite signs of subscription fatigue and ad fraud, GroupM predicts ATV ad revenue will grow to \$31b globally by 2026. According to an IAB US poll, 60% of US advertisers plan to shift ad dollars from linear TV to ATV. Digital video, whether on mobile, desktop, or television, remains a high-growth, high-valued, in-demand ad format. Podcasting has seen a surge in ad spend albeit from a much smaller base. A recently released IAB/PwC report predicts US podcasting ad sales to grow 47% this year to \$2.13b from \$1.45b in 2021.
- Web3 has become a convenient industry catchword for a bunch of new innovations, including the Metaverse, crypto, blockchain, NFTs and the creator economy. Cannes will no doubt see much hype and hubris on these topics, which in many cases are still experimental or erratic and also face varying degrees of scale, safety and security issues.
- Big tech and ad tech will also be major topics at Cannes, particularly given the numerous pieces of legislation passed or on the table in Australia, Canada, US, UK and the EU. There is a significant chance the entire ad tech ecosystem will be reconfigured and rebooted, leaving space for new players like Microsoft's recently acquired Xandr to make a mark.
- Finally, all eyes will be on TikTok and Twitter. According to eMarketer, TikTok's ad revenue is projected to triple from \$3.88b in 2021 to \$11.64b in 2022. eMarketer also predicts that by 2024, TikTok's ad business will grow to \$23.58b to match YouTube's \$23.65b in annual ad revenue. In the meantime, there is sure to be much speculation over Twitter's future plans and ownership.

Background

The advertising industry is showing resilience and growth in 2022 after a significant drop in 2020 during the COVID pandemic and a big bounce back in 2021. The latest revised GroupM report forecasts 8.4% global growth in 2022 (excluding the impact of U.S. political advertising), with digital (excluding search) growing at 9.8% and search at 14.9% while newspapers are lagging at -4.1%. The US and UK are outpacing global growth at 9.3% while Australia is running slightly behind at 5.8%.

Like many other businesses, the advertising industry is grappling with inflation, which explains some of the growth data. GroupM expects inflation of 6.9% in 2022, up from 3.7% in 2021, and above the historical range of 2-3% in recent years. According to Statista, video has seen the highest growth in CPMs; TV pricing has gone up by 11 to 13% while online video has seen a 7% increase. Digital display CPMs have also gone up by 3%.

While 2022 has so far been largely positive for the industry, there are significant headwinds going into 2023, including concerns over the state of the economy and a potential recession. Both GroupM and Publicis recently revised their 2022 global ad spend projections downwards, with Publicis predicting a bigger drop from 9.1% to 8%. Publicis also predicts weaker global growth of 5.4% in 2023 before a 2024 bounce back to 7.6% based on better economic conditions plus the Olympics and the US Presidential elections.

Overall WPP predicts that advertising will be a \$1t global business by 2026, with 70% digital.

The continued growth in digital has led to more consolidation amongst the world's largest tech companies. According to GroupM, five of the world's largest tech companies owned more than half (53%) of all global ad revenues last year, up from 46% last year. The world's top 25 advertisers now account for 74% of global advertising spend, up from 68% last year and just 43% in 2016. According to Statista, Google (28%) and Meta (24.5%) remain the two industry behemoths when it comes to global share of digital media investment, although both have slightly declined since 2021 while Alibaba (9.1%), Amazon (6.5%) and Tencent (3%) have increased their share of spend.

However, it's Byte-Dance's TikTok that everyone is watching. In just several years TikTok has grown to over one billion users in over 150 countries around the world. Time spent scrolling through TikTok surpassed Facebook and Instagram, with users spending 38.6 minutes per day on TikTok, four minutes more than Facebook's 34.6 minutes. Experts predict that more long-form video content on TikTok will lead to it surpassing time spent on YouTube sometime later this year. YouTube is also successfully challenging TikTok with its own Shorts short form video. According to eMarketer, TikTok's ad revenue is projected to triple from \$3.88b in 2021 to \$11.64b in 2022. eMarketer also predicts that by 2024, TikTok's ad business will grow to \$23.58b to match YouTube's \$23.65b in annual ad revenue.

The other one everyone is watching is Twitter, but for very different reasons. Twitter's user base has remained relatively static hovering just over 300m monthly active users, although how many of these users are fraudulent or real remains a debate; Twitter says less than 5%, Elon Musk thinks otherwise. Twitter's ad revenue has seen some growth and is predicted to hit \$6b in 2022 from \$5b in 2021. Whether Elon Musk ends up owning Twitter, and what he would do to reimagine it, e.g., more subscriptions and less reliance on ads, is open to speculation and sporadic tweets from Musk himself.

Our Strategy

We are in the process of reconfiguring ourselves as a more connected and coordinated global entity and platform to better compete with not just the big tech platforms but emerging global and new ad-friendly players like Netflix. The two key components of our approach are a) offer bespoke global solutions to our biggest advertisers and b) codify and configure our disparate assets into cohesive and competitive digital and data-led products leveraging our core strengths in permissioned data, original content, and editorialized contextual environments.

Current initiatives include:

- **Global Solutions Team:** a talented team of our best sales and solutions leads from each of our business units who are working together to drive incremental business. Since launching in October of 2021, we estimate this team has helped our business units **generate [REDACTED] in additional advertising revenue** via coordinating, supporting, and managing global and local pitches and relationships.
- **Global Partnerships:** we have established a global, cross-business unit approach and the assets required to manage global relationships. We now have global credentials and collateral, a global cross-BU client intranet, quarterly business reviews, and joint business plans, which will all be applied to new global partners such as Apple. The success of our approach to the Google partnership has led them to it **exceeding their annual spend commitment with us by over [REDACTED]**.
- **Make News:** a new global initiative that leverages and extends disparate business unit assets into a cohesive platform for advertisers to embrace and support change in areas such as DE&I, climate change, and supporting working mothers. Our first Make News platform is focused on DE&I and leverages HarperCollins publication of the Dr King Archives. We are currently working with WPP on bespoke DE&I ideas to pitch to its client base.
- **Newsworthy:** a new global bonus that recognizes individuals who go above and beyond their business unit to support a sister News Corp company to win advertising business.

The Demise of Legacy Identity Models, The Rise of Permissioned Data

Over the past few years there have been significant changes to some of the legacy identification models used in the industry. Apple has led the charge with its strong privacy positioning to customers. Apple has made several changes to its mobile ecosystem under its new App Tracking Transparency (ATT) privacy framework, most notably new user consent requirements and restrictions on the use of its mobile identity (IDFA, or Identity for Advertisers) across Apple's 1.8 billion devices. According to Analytics, anywhere from 80% to 96% of Apple users opt-out of tracking consent when prompted by Apple to accept or decline.

These changes have made it more difficult for advertisers to target specific individuals as well as measure conversions within the Apple ecosystem. The impact on companies with significant mobile ad networks and dependencies on mobile identifiers has been significant. Meta has warned of a \$10b sales impact, or ~10% of its revenue, while Snap's shares have dropped 80% since October. In the meantime, Apple's own advertising solution (Apple Search Ads) has seen significant growth; Evercore ISI predicts Apple's ad business could equate to \$20b by 2025.

One could argue Apple's ATT changes are the calm before the storm given Google, who own the industry's dominant browser (62% of mobile, 69% desktop) and operating system (71% of mobile devices) will eliminate third-party cookies in 2023.

Since the inception of the commercial Internet, cookies have formed the primary basis for a range of fundamental components of online advertising, most notably targeting and measuring outcomes. Similar to Apple's ATT, the absence of third-party cookies will have a huge impact on many companies, particularly those with dependencies on third-party networks or the "open market" for monetization.

This looming revenue threat has been quantified by Google research that suggests some publishers stand to lose up to 50% of their advertising revenue as the degradation of cookies diminishes the value of their inventory. However, those publishers with strong first-party permissioned data stand to gain as advertisers seek direct relationships with media companies that can better replicate the old targeting and measurement models.

As "cookiepocalypse" approaches, the industry is in a state of flux, frustration and fear. According to a recent Digiday survey, 71% of agency and marketing executives are worried about the demise of cookies and don't know what's next. The cacophony of competing new identity models – Google Topics and the Universal ID 2.0 to name a few, is also forcing advertisers to hedge their bets given the uncertainty over what solution(s) will eventually prevail.

Furthermore, multiple governments are now entering the fray, attempting to clean up historical regulations and laws (e.g., the EU's GDPR, California's CCPA) that while well intentioned have only created more confusion and consternation given the number of local, nuanced frameworks to which advertisers must adhere. The IAB is trying to create one single global framework to reduce the burden on the industry, and the US Senate and House recently released a draft of the American Data Privacy and Protection Act (ADPPA), a watershed privacy bill that would introduce a federal standard.

Our Strategy

We are doubling-down on our first-party permissioned audience data as well as additional data sets of value, including contextual data signals to ensure we have a robust, world-class offering in place before the demise of cookies. ***The combined impact of existing global and local initiatives in the data space has led to a [REDACTED] fiscal year-on-year increase in campaigns sold with our first-party data [REDACTED] of all digital campaigns are now sold using permissioned data.***

Current initiatives include:

- **Engagement / Data Workshops:** we are supporting the BUs in assessing and increasing the strength of their first-party data via more user engagement, better value exchanges and repeat visits. This initiative includes our new Data Dashboard, which provides BUs information and benchmarking on their performance in registrations/subs, engagement, and monetization of data.

- **Global News ID Identity Graph (2.0):** We are enhancing and strengthening our current News ID identity graph to use deterministic data (emails, phone numbers, etc.) in addition to the current probabilistic data (cookies) to link identity across all our business units. In simplistic terms, this means the New York Post profiles that rely on cookies can now be connected to Realtor.com and Wall Street Journal email addresses so we have a single view of customers across the business. We are also working on a global instance of the NewsID identity graph to ensure we have a consistent best-in-class approach that advertisers can embrace and activate across all businesses. This global instance will connect individual market consent-consistent Customer Data Platforms (CDP), including News Australia's new CDP that includes Foxtel Group and REA Group.
- **Super Segments:** We are automating the current Super Segment process so any time any business unit creates an audience segment, it will automatically leverage our combined first-party data across business units to increase the scale and strength of those audiences. Current Super Segment beta tests have already brought in new business from the likes of Wells Fargo and Comcast. We are also creating Global Super Segments so advertisers can buy the same audience segment across geographies and inventory.
- **Data Dating:** A series of global partnerships with industry innovators and leaders (Infosum, LiveRamp, Permutive) that will enable us to ethically match data sets together with advertisers and partners to create bespoke audience segments. We are also actively working with these partners to bring new sales and revenue into the business, most recently with Dell, Sony and Epic Games. News Australia has also recently launched Customer Match, which is a new identity database developed in partnership with location data specialist Near, offering client partners the ability to match their customer emails against 16 million Australian emails. News UK's Ozone is another big initiative to link together audiences across publisher inventory.
- **Contextual Solutions:** We continue to assess both News Corp solutions (WSJ's Thematic, News UK's Nucleus, News Australia's Content Connect) as well as external solutions (IAB Seller Defined Audiences) to ensure we have robust contextual tools for targeting, insights and personalization solutions to complement our audience targeting capabilities.

Commerce Media

The US growth rate in e-commerce has settled to 16% after the COVID triggered boom of 32% in 2020. Amazon has been one of the primary beneficiaries of this growth, and has built a successful advertising business to support those advertisers seeking to capitalize on its ability to seamlessly target and take people directly from advertising exposure to a transaction.

Amazon's advertising unit generated \$31.2b in sales in 2021 from an estimated \$19.9b in 2020.

Inspired by Amazon's blending of online sales and digital advertising, other big retailers have created similar "retail media" platforms, including Wal-Mart, Target, and Kroger. Even Dollar General now offers advertisers the Dollar General Media Network. Some of this online retail media investment has been a migration of historical offline trade marketing budgets to digital. However, according to AdWeek, retail media is gaining in popularity with brand marketers; 74% of brands plan to dedicate budgets to retail media networks. eMarketer reported US retail media ad spend surged in 2021 by 53.4% to \$31.49b, following a nearly identical growth rate in 2020. eMarketer expects growth to begin tapering in 2022 but still rising 31.4% to \$41.37b.

The rest of the industry has taken notice.

Pinterest has fully embedded shopping functionality into its user experience via a global partnership with Shopify. Meta's Instagram has added a variety of shopping features, including in-app checkouts and product reminders. Meta shopping tags enable content creators to tag items within images and video so users can easily identify items to buy. Snap is leaning heavily on Augmented Reality with its AR Shopping Lense product that enables AR commerce and direct integration into a company's product catalog for real-time updates and analytics. TikTok has announced a new integration with WooCommerce, which will enable WooCommerce merchants to sync their store catalog with their TikTok profile, powering its more advanced product display offerings. NBCUniversal has launched shoppable ads and an online commerce functionality called Checkout. Sky is using QR codes to enable interactions and transactions on its TV ads. Conde Nast has launched its Style.com shopping site. Both Klarna and Stripe have or will introduce shoppable ad units, including comparison shopping functionality built into the ad unit. Twitter recently launched Product Drops, a feature that enables users to sign-up for in-app "remind me" notifications once a product goes on sale.

Livestreaming is another area of commerce worth watching, particularly given its massive popularity in China where Taobao Live and Douyin have blended video, social, and commerce together to create the QVC / home shopping network of the future. Popshow Live and NTWRK have successfully replicated those experiences for Western audiences. TikTok recently partnered with Wal-Mart to create a live shopping video experience with its creators and influencers, although according to some reports the average livestream on TikTok generates less than \$5k in revenue. Despite those numbers, Coresight Research remains bullish and predicts livestream shopping events in the U.S. will generate \$25 billion in sales by 2023.

Our Strategy

Each of our business units has a performance and commerce strategy unique to its individual situation and market positioning. Globally we are supporting the business units via our Commerce Lab, which shares practical knowledge and solutions, supports technical solutions, and identifies innovative companies and potential partnerships. ***Our April FY22 Outlook indicates that our performance marketing revenue will increase by ██████ this fiscal year, albeit from a relatively small base (██████).***

Current initiatives include:

- **Shoppable Ad Units:** Many of our business units are experimenting with shoppable ad formats, most notably News Australia who launched a partnership with Vudu to bring shopping and checkout features to its video units. The News AU solution provides a shoppable experience integrated into video content and video ads, meaning customers can buy in the moment when they are ready and primed, without ever leaving the video experience. Vudu also integrates into the retailer's tech stack so that pricing, stock management, data and the customer relationship all remains with the retailer.

The New York Post is also experimenting with Klarna's new shoppable format as part of our broader partnership discussions with Klarna.

- **Retail Experiences:** The business units are also experimenting with retail experiences built into editorial. Dow Jones recently launched its new Buy Side solution, which sits outside WSJ's paywall and provides product reviews and recommendations as well as facilitating actual purchases.
- **Metrics Matter:** Earlier in 2022 we managed an RFP and overview of leading industry measurement solutions in the market to ensure our business units had exposure to the latest innovation. Several of these companies are now being beta tested, and we are benchmarking our current capabilities against industry companies such as TikTok, Amazon, and Google to ensure we are competitive.

Video and Audio

It appears that the COVID induced splurge on streaming television subscription services has subsided. Recent Deloitte analysis suggests that streaming fatigue will result in churn rates as high as 30% in some markets and cause 150 million SVOD services to be canceled next year. A OnePoll survey in the US found several reasons why people are re-evaluating streaming services: changes to their financial situation (70%), a limited selection of titles (49%), lack of a user-friendly interface (34%), and poor customer service (33%). As a result, 57% of US streamers are planning to cut some of their paid streaming subscriptions with the average person dropping three out of five from their current arsenal. These statistics may partly explain Netflix's recent drop in subscribers by 200,000. In contrast, Disney+ goes from strength to strength; Disney added 7.9m new subscribers to its Disney+ streaming service during the first three months of 2022, bringing its total subscription base to around 87.6m worldwide, still behind Netflix's 222m global customers.

People's desire to cut back on subscriptions combined with rising content creation costs has led to Netflix, Disney+ and other subscription services exploring free ad-funded models similar to Spotify's binary choice of paid ad-free subscriptions and free ad-paid services. All of this is music to advertisers' ears given the continued interest in and growth in Advanced TV (ATV) advertising (i.e., any form of digital television advertising including Connected TV sets and Over-the-Top devices).

To be clear, traditional TV will not disappear overnight; according to Activate and AudienceReach, in the US it still made up 67% of total TV ad revenue in 2021 and 61% of time spent watching TV. However, the momentum is with on-demand viewing and digital advertising. GroupM predicts ATV ad revenue will grow to \$31b globally by 2026, a 14% CAGR. According to an IAB US poll, 60% of US advertisers plan to shift ad dollars from linear TV to ATV.

With all this growth comes the usual suspects, including brand safety issues, fraudulent traffic, and lack of transparency. According to iSpot.tv and GroupM, some 17% of ads shown on televisions connected through a streaming device are played while the TV is off, causing an estimated waste of more than \$1b a year for brands. GroupM also estimates that roughly 4 in 5 CTV ads are "not productive" for advertisers due to fraudulent non-human traffic. Expect significant amounts of scrutiny in the ATV space as the investment continues to grow.

In terms of audio, Reportlinker predicts that the global radio market is expected to grow from \$18.34b in 2021 to \$19.58b in 2022 at a CAGR of 6.8%. Digital radio continues to be a key game changer as consumption increases via digital devices including smart speakers. According to data from Radio Joint Audience Research Limited (RAJAR) published in October 2021, digital listening in the UK has increased to 65.8% of all radio listening. In the UK, DAB is now the most popular radio listening platform, accounting for 43% of all listening compared to 34.2 percent for AM/FM.

Podcasting has seen a surge in ad spend albeit from a smaller base. A recently released IAB/PwC report predicts US podcasting ad sales to grow 47% this year to \$2.13b from \$1.45b in 2021. Furthermore, the report predicts U.S. podcast advertising revenue will grow more than 100% over the next two years to an estimated \$4.2 billion in 2024.

The podcasting market is rapidly maturing as the likes of Spotify, Apple and Google have acquired various start-ups and strengthened their ad technology solutions to include many of the scaled advertising features – improved targeting, better measurability, self-serve buying, and dynamic creative – expected by sophisticated digital advertisers. The Spotify Audience Network is a prime example of combining disparate ad tech acquisitions and assets (Megaphone, Podsights, Chartable) into a unified market solution.

Some of the recent innovations in the audio space, e.g., the once \$4b valued Clubhouse, seem to have faded or have had their products replicated and subsumed into existing platforms, e.g., Twitter Spaces, Facebook Audio Rooms. Perhaps it will re-emerge with a new name and new tech in Web 4.0.

Our Strategy

Similar to commerce, each of our business units has its own video and audio plans and approach, although globally we continue to support and share so all boats rise. ***Our April FY22 Outlook indicates that our video and audio revenue will increase by ██████ this fiscal year to ██████.*** A positive trend but not enough to diminish our dependency on the low-growth, low-value digital display business, which still represents ██████ of our digital ad revenue.

Notable initiatives in the audio and video space include:

- **Advanced TV:** Several of the business units are exploring Advanced TV opportunities, most notably News UK's TalkTV, which will provide valuable learning on the mechanics of and monetization modeling for future ATV endeavors.
- **Platform Partnerships:** As part of our platform partnerships (e.g., Google, Apple, Spotify) initiative we have embarked on several major efforts to not only create more video and audio content but to improve the advertising monetization and yield of that content via improved ad tech and data integrations as well as reach extension products and pitches.
- **Global Video Content Sharing:** We are currently exploring a more robust means to share and monetize contextually relevant videos across our publications to gain more advertising revenue by better repurposing and distributing assets amongst our business units.
- **Global Video Studio:** We are exploring whether News Australia's Visual Domain could act as a global video creation and production studio (for now incremental to existing studio resources) to help boost video content across News Corp.

Web3/Future Innovation

Web3 has become a convenient catch-all phrase for a variety of innovation happening at the moment, including the Metaverse, the creator economy, blockchain, crypto and NFTs.

It would probably be more accurate to call today's Metaverse a "Betaverse" as it's just a preliminary glimpse into the fully immersive digital experience as envisioned by *Snowcrash* author Neal Stephenson. Today's Betaverse consists of a series of disparate experiences and technologies ranging from desktop experiences (Roblox – 43m users) to mobile Augmented Reality (63% or 200m users use AR on Snap) to headset Virtual Reality (14.8m units of Meta's Oculus sold). A true Metaverse would require interoperability amongst all these worlds and a completely immersive and seamless multi-sensory experience, including spatial audio, haptic touch sensations, perhaps even smell.

We are simply not there yet, and probably won't be for several years.

However, limits in today's technology has not stopped Big Tech from jockeying with each other to own the Metaverse of tomorrow to the point that Facebook actually re-branded itself Meta.

The Metaverse is probably most recognizable in gaming, and in particular eSports, which has become a global phenomenon. According to eMarketer, there are currently over 3b gamers in the world, and of those roughly 474m passionate eSports participants, a figure expected to rise to nearly 800m by 2024 (Statista). Notably, 56% of new gamers are aged 45+, and 66% are female. Gaming will lead the growth in time spent with technology and media over the next four years at a 3.5% CAGR between 2020 and 2024.

As a result, there has been a recent proliferation of metaverse and eSports advertising networks such as WPP backed Anzu, which enables marketers to place native advertising such as video into virtual metaverse environments.

However, it's not just ad spaces. There are a myriad of other opportunities in virtual spaces. Live events can be replicated in virtual environments; Travis Scott held a successful virtual concert in Fortnite attended by over 12 million people. Companies like Odin and Fandom offer eSports betting, a category that Market Insight Reports estimates will reach a global value of over \$13b by 2025 from an estimated value of \$800m in 2019. According to Technavio, the metaverse real estate market will almost double in size in 2022 and grow by \$5.37b between 2022 and 2026.

Certainly brands are eager to experiment and invest, albeit with some trepidation. According to McKinsey, virtual advertising endeavors could amount to \$206b by 2030. However, McKinsey also points out that some executives remain skeptical; 31% of marketing execs are uncertain about the return on investment of metaverse experiences.

Beyond gaming, AR and VR are other manifestations of the emerging Metaverse. From an advertising perspective, AR is predominantly being used as a creative advertising format to layer into real world photos and objects to create highly-shareable content on social networks such as Snap and TikTok. More sophisticated use cases are rare, but are emerging. For example, Amazon's recent Virtual-Try-On enables people to try different shoes via AR. Such use cases may be an example of new immersive interactive advertising formats of the future.

Most of the 1.1b estimated AR devices in the world will be smartphones, not dedicated AR devices. AR headset devices (Apple Glasses, Snap Spectacles, Solo Smart Glasses) continue to improve and as 5G infrastructure and smaller and better processor chips proliferate the lag time between virtual and real worlds will diminish if not disappear. 5G can be 10x-100x faster than 4G and has a 99.5% lower latency. The key question is the availability, adoption and consumer demand for 5G; a 2021 YouGov survey found that 67% of Americans are unlikely to switch to 5G in the near future.

Of course all eyes will be on Apple and its rumored AR and/or VR Glasses, which may or may not be released within the next year. Apple normally comes late to the game, but has a solid track record of changing that game when it arrives.

Another big feature of Web3 is its promised decentralized model, which is designed to better reward content creators via decentralized organizations and technologies like blockchain that avoid the power of and profit dilution from Big Tech and centralized platforms. Via blockchain, Big Tech can't amass, control and monetize vast amounts of creator data and content. In theory, that information can reside on decentralized ledgers and be controlled by their owners. Direct relationships with creators will be the means to access data, buy content and goods, and form on-going relationships.

Big Tech isn't rolling-over, and as previous waves of Internet disruption have proven, decentralization frequently leads back to centralization as users and businesses seek safe, secure and scaled environments to communicate and transact.

TikTok has bet heavily on creators with its Creator Fund, a \$300m program to pay creators who use the platform and apply for the program, which is appealing given it is now the most lucrative social app in the world for in-app purchases. TikTok users spent \$840m on virtual coins currency, which can be used to tip creators and promote videos. TikTok has also built a strong set of analytical and reporting tools, which it claims on average shows a strong 7x ROI on influencer spend, i.e., for every \$1 you spend, on average you sell \$7 worth of goods; keep in mind that data has not been independently verified by third-parties.

YouTube has also introduced a slew of new ways creators can make money via Shorts (its TikTok clone), including the ability to create brand partnerships, integrate shopping into videos, fan-funded Super Chats, and gifted memberships/subscriptions to channels.

Overall the influencer marketing business has seen substantial growth over the past few years as advertisers use creators to reach audiences in "authentic" ways in new environments such as TikTok, Instagram and Snap. According to Influencer Marketing Hub, the influencer market grew to \$13.8b and is projected to expand to \$16.4b in 2022.

Many of these influencers transact in crypto and merchandise NFTs. The hype around and valuation of crypto and NFTs continues to fluctuate wildly; Jack Dorsey's first-ever tweet was sold as an NFT for \$2.9m worth of Ether in 2021 and was recently resold for a paltry \$277 of Ether value. In May, Bitcoin's valuation dropped by more than 50% from an all-time high of \$68k. Beyond volatility, there are also some fundamental challenges in the crypto space. Over \$14b was lost by people in crypto scams in 2021, up 79% from 2020. The top nine crypto accounts hold 80% of Ethereum's NFT market, while 2% of Bitcoin's accounts own 95% of its value.

The Wild West nature of crypto should stabilize particularly as governments, including the US, seek to regulate the market; new legislation is being introduced in the US Senate and the SEC is also scrutinizing markets such as Binance.

Government regulation, scale, efficiency (particularly given the environmental impact), security, and some level of centralization will all bring some much needed stability and confidence to brands and advertisers seeking to capitalize on Web3 and its various opportunities, including new payment methods, new digital assets to be sold or earned via membership/subscription, and greater support and rewards for creators.

In the meantime, marketers continue to experiment; Nike recently bought RTFKT who create virtual metaverse sneakers, Time has set up its own NFT marketplace called TimePieces, and luxury brands like LVMH and Gucci are chasing the predicted \$10b (Morgan Stanley) in virtual luxury NFTs to be sold to avatars.

Our Strategy

Our strategy is to continue experimenting, learning and identifying innovative partnerships and opportunities with the BUs on the basis that some of these areas may take time to stabilize and/or gain sufficient scale to warrant larger investment.

Here are some innovative initiatives happening across News Corp.

- **Print Reimagined:** a global partnership with IoT agency SharpEnd to offer creative workshops with leading advertisers to explore how we can use new digital technologies (QR codes, AR) to bring more interactivity and innovative experiences to print advertising and offline experiences. The first workshop will be held with Estee Lauder in the UK.
- **Possum Pit:** our newly launched version of our own “Shark Tank/Dragon’s Den” where innovative start-ups in the advertising space will be invited to pitch their solutions to our business units. The first Possum Pit event takes place on June 30th.
- **The Sandbox:** A cross-business unit initiative to bring together our advertising sales, technology and data teams to share learnings and innovation with the ambition to replicate where relevant to save money and time while gaining faster competitive advantage. We’ve had two Sandbox sessions to-date with several business units set to import and export solutions, including Australia’s Ad Blocking Recovery, which is generating [REDACTED] in monthly revenue, and News UK’s CABLE.
- **The Fifth:** We are supporting The Fifth, News UK’s influencer marketing agency, which has plans to go global.
- **Virtual Events:** We continue to share learning on the Metaverse and virtual technologies and opportunities. The WSJ in particular has created metaverse spaces to complement its live events. These spaces can be used for virtual sessions or more informal social gatherings.

Big Tech and Ad Tech

After years of talking, governments are finally taking action against Big Tech.

The flame that lit the fire started in Australia, where the Australia Competition and Consumer Commission introduced the News Media Bargaining Code, which finally forced the likes of Google and Facebook to compensate publishers for the use of their content to the tune of \$140m.

Since Australia's ground-breaking move, other markets have followed. Canada has introduced Bill C-18 (the Online News Act), which replicates Australia's negotiation and compensation model.

The UK Competition and Market Authority (CMA) and its Digital Market's Unit (DMU) have introduced a slew of acts and investigations, including the Digital Competition Bill, which would force Big Tech to pay up to \$300m to publishers. The CMA has also launched various antitrust investigations into everything from mobile operating systems to payment systems.

Margrethe Vestagher and The European Union continue to take an aggressive stance with two new bills; the Digital Services Act, which covers content, targeting, and transparency, and the Digital Markets Act, which is an antitrust effort to prevent and prohibit monopolies.

Finally, the US is taking steps forward with the recent American Data Privacy and Protection Act (ADPPA) (a federal approach rather than a fragmented state approach), the American Innovation and Choice Online Act (AICO) (preventing bias, pushing transparency), and the Journalism Competition and Preservation Act (JCPA) (negotiations with and compensation to publishers).

How some of these efforts materialize is still uncertain given the politics involved. However, there is indisputable and significant momentum on a number of fronts to address the imbalances institutionalized and the injustices inflicted by Big Tech.

In the meantime, Big Tech continues to pivot to avoid more draconian measures and bigger fines; Google has just announced it is allowing other ad tech companies to access its YouTube inventory in order to avoid a hefty anti-competitive fine from the EU.

Some industry pundits speculate that Google will be forced to sell its ad technology business, which it has effectively used as an instrument to control (without publisher or advertiser knowledge) the flow of investment to its own inventory and maximize its own profits. Such a Google Ad Tech spin-off would introduce a formidable new competitor in the market to the industry's leading ad tech companies, particularly The Trade Desk (\$22b market cap).

The other wild card is Microsoft, who recently completed its acquisition of Xandr from AT&T for \$1b (AT&T paid \$1.6b for AppNexus, Xandr's previous brand name). Microsoft, who has historically struggled in online advertising, could give the industry a scaled, viable ad tech alternative to Google if it embraces total transparency and some form of regulation (self or otherwise). However, Microsoft will face the same conflictive challenges as Google or any other ad technology associated with owned and operated inventory; will it truly be unbiased and transparent in terms of matching supply and demand, or will internal pressures force it to direct more investment to Xbox, LinkedIn, Activision, and the Microsoft Ad Network?

Our Strategy

We are pushing on several fronts to ensure the industry adopts an open, transparent, and fair ad tech model as well as respect and compensation for content and independent journalism.

Specific advertising work in progress includes:

- **Pre-Bid:** We continue to be a strong advocate for an open, transparent and fair programmatic ad tech ecosystem, which is why we were one of the first to sign-up for Pre-Bid and continue to support its ambitions.

- **Industry Organizations:** We are engaged at several levels with Interactive Advertising Bureau (IAB) and the IAB Tech Lab to influence its positioning on various ad tech and data regulations, initiatives, and public policy endeavors.
- **Ad Tech Alternatives:** We have opened up discussions with Microsoft post its Xandr acquisition to explore its plans for the future and whether it represents a viable and ethical alternative to Google's Ad tech stack. We also continue to explore other options in areas like ad serving and identity to ensure we have viable alternatives in the future.

Data Points¹

- News Corp Advertising Revenue: [REDACTED]
- News Corp Digital Ad Revenue: [REDACTED]
- Percent of News Corp Ad Revenue from Digital: [REDACTED]

- News Corp Data-Driven Advertising Revenue: [REDACTED]
- Percent of News Corp Digital Ad Revenue that is Data-Driven: [REDACTED]
- Over [REDACTED] addressable users globally across over [REDACTED] devices
- Ranked #8 in terms of audience reach in the US (Comscore)
- Ranked #3 amongst publisher groups in terms of audience reach in the UK (IPSOS)
- Ranked #1 (The Sun) amongst specific publications in the UK (IPSOS)
- Ranked #4 amongst publishers in terms of audience reach in Australia (Nielsen)

- News Corp Performance Advertising Revenue: [REDACTED]
- News readers are **30%** more likely to discuss products advertised with friends and family, and go online for more information (Newsworks).
- IAB USA Research: as a result of seeing a brand advertising on their favorite news outlets, consumers are:
 - **45%** more likely to visit the brand's website
 - **43%** would consider buying from the brand
 - **39%** are comfortable recommending the brand

- News Corp Video and Audio Advertising Revenue: [REDACTED]
- Percent of News Corp Digital Ad Revenue that is Video and Audio: [REDACTED]
- 100+ active podcasts, [REDACTED] listeners every month across news, sports, biz/tech, entertainment, and crime.
 - News Australia: Teachers Pet - only Australian podcast to go to #1 in the US, Canada, and UK. Won the Golden Walkey (highest journalism award)
 - News UK: Times News Briefing - #1 news podcast in the UK.
 - WSJ: The Journal - [REDACTED] avg monthly downloads

¹ Note: all News Corp revenue and data points are from April's Advertising and Data Dashboards, and only include Dow Jones, New York Post, News UK, Wireless, News Australia and Realtor.com